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## MARKET DISTRIBUTION

By ROYAL MEEKER

*Commissioner of Labor Statistics*

The American people are alarmed at the high and ever-increasing cost of living. In casting about for the true explanation of high and increasing prices, the railroads and the middlemen have been severely condemned as being very largely responsible for the undesirable condition of things. The gold supply is believed by many to have had a causal finger in the rising-price pie. The fact of increasing cost of the means of subsistence has large ethical aspects. The public quite rightly wants to know what influences have been boosting prices. If it can be shown that certain individuals or groups or classes of individuals have with malice aforethought forced prices higher than conditions of production and consumption would warrant, the American public cannot be expected to deal kindly with such persons. The increasing gold supply may be largely responsible for increasing prices, but the gold supply cannot be brought to book for its conduct,—it cannot be haled before the courts and fined or imprisoned. The people want to make somebody suffer for the sufferings they are obliged to suffer. The gold supply can't be made to suffer, so the people refuse to get excited about the gold supply and turn to the railroads and the merchants. The railroads can be brought before the courts and commerce commissions and made to suffer in the persons of their directors, officers, and shareholders. Merchants can be punished for breaking laws and they can be publicly pilloried for refraining from breaking the laws in ways which are detrimental to the public. The people are suspicious of attempts to boost freight rates and commodity prices.

This mental attitude of the public is perfectly sound. The danger lies in the unrivaled means existing to manufacture, collect, collate, and disseminate facts that are not so and the almost unlimited capacity of the public to absorb misinformation—to get things wrong—and at once to demand legislative remedies for evils that either do not exist at all or exist in different ways, degrees, and places than are supposed. I am inclined to think that the remedy for the high cost of living can be found neither in the newly created Trade Commission, the Parcel Post, nor the free public market. All these are good so far as they go and for

certain purposes. Taken altogether they may effect some slight reductions in the cost of some few articles. The notion, however, that the function performed by the middleman can be dispensed with through the Parcel Post and free public markets is nonsensical. Not even a beginning can be made toward utilizing the Parcel Post and the free public market to reduce prices without expending brains and time and trouble upon the problem of distributing commodities to consumers. The middleman may be eliminated, but the function performed by him cannot be eliminated. If the grocer does not come between the farmer and the consumer, then either the farmer or the consumer has to play grocer. According to the law of probability, the middleman ought to be the same kind of a man as the endman. There are dishonest middlemen, greedy middlemen, incompetent middlemen, and superfluous middlemen, just as there are dishonest, greedy, incompetent, and superfluous farmers, manufacturers, mine owners, and workmen. If war is to be declared against dishonesty, greed, incompetence, and superfluity, I am for enlisting, but I do not want any general orders to shoot at these things only when they are personified in middlemen.

If the middleman is any more untrustworthy and inefficient than any other class of producer, there must be something about the middlemanning business whereby honesty and competency are punished and dishonesty and incompetency are rewarded to a greater degree than prevails in other lines of productive enterprise. I do not believe there is any immutable economic law that compels all middlemen to lie, cheat and steal, or be competed right off the map. Selling country produce on commission, however, does subject the commission merchant to severe temptations, and too often he has succumbed thereto. If Diogenes and Aristides had been driven by force of circumstances to live by selling fruits, vegetables, dairy butter and eggs on commission, the one would never have been ostracized from the Athenian State because he was just and the other never would have begun his search for an honest man, and incidentally he would have saved himself the price of his lantern.

Hundreds of instances are cited to show the abysmal depravity of commission merchants. There can be no doubt that some commission merchants do falsify their accounts and deliberately fleece their consignors whenever they can do so with impunity. The great majority of cases, however, in which farmers have shipped produce

to commission merchants and have received little or nothing in return, are not cases of dishonesty at all. When the farmer suffers a loss on a consignment to a commission merchant, in most instances the loss is due to ignorance of real market conditions, bad packing, bad judgment in selecting and grading, poor transportation arrangements, or inability to get the products to the consumers quickly enough. When the differentials between the prices received by the farmer and the prices paid by the consumers are phenomenally large, it is generally due to the ignorance and inertia of consumers and producers coupled with the greed, timidity, and stupidity of retailers. The lack of coördination in distributing commodities is almost perfect. The resulting waste is stupendous. For example, cantaloupes were shipped last August into Washington in such quantities that commission merchants refused to handle them at all. On one day in the same month 58 carloads of peaches were dumped into St. Louis, which ordinarily can absorb about 14 or 15 carloads a day during the peach season. On one day last month 116 carloads of apples struck New York City. The market was so glutted that a shipment of apples from northeastern Pennsylvania netted the consignor only about 17 cents per bushel after freight and commission charges had been paid. During this autumn Virginia apple growers sold apples f.o.b. for the Glasgow market at \$1.25 per barrel. The barrels cost from 38 cents to 42 cents apiece. After the expenses of picking, sorting, grading, and packing are deducted there is left not more than 50 cents per barrel to pay for spraying, cultivation, overhead charges, and interest on investment.

While apple growers were thus unable to get prices sufficient to pay the costs of production, I as an "ultimate consumer" was obliged to pay 75 cents per alleged half-bushel for apples of inferior grade, poorly packed, and much bruised. The consumer was paying at the rate of \$1.60 to \$2.00 per bushel for poor apples at the time when the producer was receiving from 14 cents to 17 cents per bushel for first grade apples. The differential is enormous, but it represents waste rather than profits. Thousands of similar cases could be recited, and every such instance is set down by the farmer as another swindle perpetrated at his expense. In reality, the fault is due to a lack of coördination in our economic system, and scarcely at all to the dishonesty of individuals.

In my opinion salvation can be achieved neither by prosecution

of commission men nor by elimination of them, but by organization of the market. If all the present generation of commission merchants were put in jail, that would not repay the losses suffered by farmers, neither would it prevent a fresh generation from opening up in the commission business. If dealing in farm produce on commission were forbidden by law, either the law would be evaded, disregarded, or declared unconstitutional, as frequently happens, or other persons would be obliged to perform the function now performed by the commission merchants. The law can effect some improvement by licensing and bonding commission merchants and subjecting them to federal inspection, thus making dishonest practices so unprofitable that there can be no doubt but that honesty is the best policy.

Nothing much worth while can be accomplished by legislation, however, toward saving the immense waste in transporting and marketing farm commodities. The only way to bring producer and consumer effectively and permanently together is through what I have termed organization of the market.

The first step to be taken is to organize the farmers into local coöperative associations. The object of these associations should be: first, to determine upon the crop or crops to be grown for shipment to market; second, to insist upon proper methods of growing the crops agreed upon; third, to standardize and guarantee the quality of the products shipped; fourth, to superintend the gathering, grading, and packing of the crops; fifth, to arrange for proper and sufficient means of transportation, handling, shipping, and terminal facilities; sixth, to bargain with railroads and other transportation companies for a freight rate that will be a livable rate for both the farmer and the transporter.

The farmers' association must obtain the fullest information as to the kind and the quantities of products that have been demanded in the past and are likely to be demanded in the future in the markets they are in a position to supply. They must secure current information on the state of the markets, the prevailing prices, and the like. An iron-clad contract is necessary to hold farmers together even for one crop season. Farmers are the slaves of their own independence. No agreement which is devoid of severe penalties for violation will be effective to prevent individual farmers from selling their crops independently of and in competition with the marketing associations to which they are indebted for trans-

portation facilities and favorable rates, and for the very market itself. The federal Department of Agriculture is doing good service to encourage the formation of such coöperative marketing associations and to promote the spirit of coöperation among farmers in every possible way. There are at present about 500 such coöperative marketing associations in existence in the United States. The infant mortality rate among these associations is gigantic, but the birth rate is even higher, so that the number is increasing at a moderate rate.

This is but the beginning of the organization of the market. A market cannot be said to be organized if only the producers are organized. Farmers cannot be held together in organizations for the purposes of increasing the quantity and improving the quality of their products, unless the markets are organized in such a manner as to absorb the increased output and repay them for their trouble. It is not imperatively necessary that purchasers should be banded together in a Consumers' League, although such associations could be made very useful. It is necessary, however, that the so-called public service corporations of the country should be organized and conducted for the service of the public. The paying of salaries to officials and dividends to stockholders should not be the chief function of a public service transportation company.

One does not need to go very deeply into a price investigation in this country to discover the utter inadequacy and rottenness of our "competitive system" of distributing products. For example, Washington, D. C., is supplied with cauliflower from New York, cabbages from Wisconsin and Michigan, lettuce from New Orleans, cantaloupes from New Jersey, Colorado, and California, apples and potatoes from everywhere, except near-at-hand. All these vegetables and fruits could be produced in abundance within easy hauling distance of the city markets, and they *are* produced in the vicinage in limited amounts, of poor quality, and by the most ineffectual and costly methods. The farmers of the neighborhood complain that they are losing money, and probably they are. If they are not, it must be due to the almost unlimited capacity of the people to eat inedible foodstuffs and still survive, and to their very thoroughgoing ignorance of the value of either the money they spend or the foodstuffs they buy. Washington is served in exactly the same way as is Princeton, New York City, Binghamton, N. Y., Ames, Iowa, and every other city in which I have ever lived.

A few years ago the president of one of our great railways openly gloated over the fact that bananas were being shipped both ways simultaneously between New York City and Boston. Farm machinery made in New York State is shipped and sold in Wisconsin and Minnesota, while farm machinery made in Wisconsin is sold in New York, Pennsylvania, and Ohio, and the same kind of machinery made in Ohio and Pennsylvania is sold all over the country and abroad. Danbury hats are sold all over the world except in the vicinity of Danbury; the Cambria Steel Company furnishes steel bridge material for the construction work now being carried on in Chicago right under the shadow of the American Bridge Company's plant. The big mail order houses of Chicago with a sublime audacity sell their tawdry wares within a stone's throw of the noble façades of New York City's Greek templeque department stores, and now these same New York stores are invading Chicago. It costs more to ship a carload of apples from northeastern Pennsylvania to New York City, a distance of about 180 miles, than it does to ship a carload of apples from Michigan, a distance of 800 miles, or even from Colorado, 1800 miles. It is useless to mention more cases of the kind so familiar to all who have had aught to do with railway rates.

All this cross-hauling back and forth around Robin Hood's barn from producer to consumer costs money. It may be a fine thing for the officers and stockholders of the railroads which do the hauling, but some one must pay for the wear and tear on railroad iron and equipment, axle grease, insurance, ice, fuel, overhead charges, and the time consumed in transit.

I do not altogether agree with Professor Ripley that every locality should be made so far as possible an independent, self-sustaining community, by penalizing long distance shipments, by means of railway tariffs based on distance. I hold rather that railroad rates should first of all be regulated (fixed, if need be) so as to render the greatest service to the public. This principle of rate regulation does not at all imply that all railway rates should be abolished and transportation be made free, expenses for conducting transportation, upkeep, and improvements to be paid out of general taxation. It does mean that if the public good requires the rates on certain commodities should be based on the postal rate principle rather than the mileage rate principle.

Of course, it is impossible to inaugurate a universal, all-embrac-

ing, flat postage stamp rate for all commodities, regardless of distance. Rates must differ as commodities differ. Even on shipments of one and the same class of commodities in the same amounts it is inadvisable to establish a postal rate for most commodities. Distance is so important a factor in the cost of transportation that it cannot be neglected, except in the case of commodities which are especially important to the welfare of the community, and commodities which by their nature are not likely to be shipped great distances. The postal rates charged for the transmission of letters and parcels by mail are justified on two grounds: first, the importance of letters and newspapers to the public, and, second, the insignificant cost of transportation as compared with the cost of collecting, sorting, and delivering. It is alleged that the costs of collection, transportation, and delivery are about the same whether a letter goes a distance of ten rods or 4000 miles. This is fundamentally fallacious. The same thing can be said as to the costs of picking, sorting, packing, transporting, and delivering a single apple or a basket of apples. What seems to be true of a single letter or newspaper becomes obviously false when we think in terms of fifty tons of letters loaded upon fourteen railway mail cars bound from New York to Chicago.

When we come to the consideration of the transportation of food products it must be admitted that it is quite as important to transport meats, fruits, and vegetables from the farms where they are grown to the consumers as it is to transport from producers to consumers the kind of missives and cultural printed matter that clog and cumber our mail wagons, post offices, mail coaches, and mail carriers. If we can neglect the proportionate ton-mile cost of transportation in the one instance, we can do so with at least equal justice in the other. For the tooth of time and icing charges put space limitations upon the transportation of beef, lettuce, green corn, cabbage, tomatoes, string beans, strawberries, green peas, etc., that do not hamper the flight of the pink-tinted, incense-laden love letters of commerce, the potent patent medicine ads., and the free and enlightened American journals, which commodities are considered of such vital importance to the maintenance of our free institutions that their production is encouraged by concealed bounties in the form of excessively low postal transportation rates. For my part, I believe food is more important to social well-being than literature, especially the literature with which the



United States mail bags are stuffed. I would rather encourage the transportation of beef, potatoes, and cabbage, than that of Best Sellers and Lydia Pinkham's Vegetable Compound ads. mingled with lurid newspaper headlines appertaining to War, Love, Lust, and Murder.

In the instances cited above and similar cases the railroads, through their rate system, actually penalize favorable geographical location. If I understand him aright, Professor Ripley would give Westchester County the first crack at supplying New York City with apples by granting rates based on distance, next Rockland County, then Orange, and so on to Wayne and Susquehanna Counties, Pennsylvania. If the apple appetite of the citizens was still unappeased, more remote regions would find it worth while to ship apples to New York City. I do not believe this is a correct principle of procedure. I believe we should strive so far as it is possible to put every community in the United States, at least, on the same footing, so far as freight rates upon perishable food products are concerned.

The object to be striven for, it seems to me, in our railway rate policy should be the public service, the feeding, clothing, and warming of the people of New York City, Boston, Chicago, Princeton, and Philadelphia. All that the farmers of northeastern Pennsylvania have a right to ask for in freight rates is an equal chance, so far as the rates are concerned, to compete with other sections of the country in the business of supplying New York City and other markets with foodstuffs. I am perfectly well aware that a universal postal freight rate on all commodities of the same class and in the same amounts is impossible for such an enormous country as ours. It would be impossible to pay the operating expenses of the existing railroads out of their income if the rates were so revolutionarily revised as to conform to the postal-rate system throughout. The railroads have been built and the country developed on quite a different plan. To be sure, the plan followed has been a perfectly planless plan, so far as any orderly development is concerned. The one central and outstanding object sought by the enterprising men who built and consolidated our railroad systems was profits to the enterprisers. They believed in state activity in business enterprise whenever state activity spelled larger profits to themselves. When state activity stood between them and larger profits, then state activity became socialism, a thing of anathema.

The Interstate Commerce Commission was an engine of the devil until the state railroad commissions became interested in two cent passenger rates and began to tinker with intrastate freight rates, since which time the federal commission has become suspiciously saintly in the view of the railroads.

Our railway magnates were no different, no more selfish, no more short-sighted in their aims than farmers, manufacturers, and merchants. They guessed at rates which seemed to them suited to bring in the largest net revenue. Whenever they thought they saw a chance to increase net revenues, they gave a lower rate for the longer haul. On the same principle of the greatest profit to the smallest number, rates were fixed in other cases on a mileage basis, on the most-favored-community basis, on the most-favored-corporation basis, on the flat postal-rate basis, on the basing-point basis, on no basis at all. The result was naturally a hotchpotch of published rates tempered by rebates, personal, local, and commodity discriminations, special discounts, and special privileges that aroused the wrath of the whole country. The Interstate Commerce Commission has struggled since 1887 to straighten out the tangle. Whether we are in accord with the policies (not always consistent) of the Commission or not, we must send up a hymn of thanksgiving and praise that a national body is grappling with the million-headed hydra of railway rates. While it is impossible to inaugurate a nation-wide postal freight rate system for all commodities arranged into classes, I think it is possible to make very effective use of the postal freight rate to cut down the cost of transporting perishable foodstuffs. I believe this because the railroads already have postal freight rates in operation in many instances, and not at all infrequently they stand the mileage rate on its head and actually charge the near-by community a higher price than is charged the distant community for the identical service. As long as the railroads are actually perpetrating these rates which are alleged to be impossible, on the theory that their profits are thereby enhanced, why quibble about their impossibility?

Why not frankly proceed on the assumption that it is the business of the people of the United States to feed the people of the United States? Let us make the railroad rates on perishable farm produce, at least, uniform for carload shipments, at least, throughout the whole country. By so doing we should, so far as cost of marketing is affected by freight rates, put the Pennsylvania apple

grower on an equality with the Michigan apple grower instead of fining him, by means of a railway tariff, for the crime of living in Pennsylvania. I see no reason why the egg, vegetable, and fruit growers of New York, Kansas, Oregon, and everywhere should not have equal freight-rate opportunity to supply the markets of Chicago, San Francisco, St. Louis, New York, and New Orleans with eggs, vegetables, and fruits. A quite substantial equality in rates on meats already exists. Where inequality of freight charges exists, it has little or nothing to do with length of haul from the distributing centers of meat products. It has to do with the ability of the local meat brokers to persuade or compel the railroads to make a favorable rate on meat shipments into the locality in question.

Enter the Carping Critic, demanding to know how the waste of hauling cucumbers from Maine to Montana and back from Montana to Maine can be eliminated by means of a postal freight rate! Easy enough. If the premiums and bonuses in the form of rates that continually dwindle as the distance increases were abolished and equal facilities were offered to all shippers who offer freight under similar conditions, the incentive to ship long distances would disappear. It requires time to transport freight. Depreciation in quality of commodities, insurance and interest charges would afford sufficient obstacles to the shipment of goods, especially perishable goods, to prevent their shipment across the continent to compete in the markets with the same products grown near at hand. Of course, information as to the kind of commodities demanded in different localities, the amount demanded, the time and duration of the demand, and the prevailing prices must be disseminated among all producers actual and potential. I do not object to buying lettuce shipped from New Orleans to Washington, if Louisiana has such superior advantages that the producers of that state can stand the losses due to time and decay and still undersell the nearer producers.

We are still only at the beginning of the organization of the market. When farmers have been taught what crops to raise, in what quantities to raise them, how to raise them, gather, sort, grade, pack, and ship them, and the railroads have been induced or compelled to fix rates on the basis of the greatest service to the public instead of the greatest net income to the railroads, we have only made a start toward bringing the producer and the consumer together.

The final step in the organization of the market is the establishment of wholesale and retail markets with adequate warehouse and cold storage equipment and steam and electric railway connections.

The ideal arrangement of municipal markets with reference to railway tracks would enable shipments to be made from the packing plants of the farmers' marketing associations directly to the wholesale municipal markets without unloading or reshipment. Cheap and rapid means of transportation should be provided between the wholesale distributive markets and the retail markets. Retail markets should be established at convenient points most readily accessible to the working population.

The organization of the means of transportation within the larger municipalities, so as to distribute the products shipped in most economically and expeditiously to the places where they are wanted is quite as important as the growing of the produce on the farms. The street railways of all kinds should be pressed into service. If they are not properly located and equipped to distribute goods most effectively, they should be relocated or new lines built and proper equipment constructed with the idea of serving the public instead of getting as many nickels out of the public as possible. I am not now discussing municipal ownership of public utilities. If private ownership of public utilities is incompatible with the public utilization of said public utilities, so much the worse for private ownership. I see no crime in the public utilizing the utilities it has created. If to do this is socialism, so much the better for socialism.

The American people are still too prone to trust to legislation to effect desired reforms. After years of disheartening legislative experimentation they still seem to have the childlike faith to believe in political and economic perpetual motion. Periodically they "arise" and vote furiously to elect a new set of reformers to enact new reform legislation and amendments to constitutions. When constitutions and laws have been duly amended the people seem to expect their latest improved politico-economic perpetual motion machinery to go on grinding out justice, liberty, equality, and fraternity to the end of time without any further attention from them. No amount of legislation will be effective toward eliminating the wastes in distributing foodstuffs until we learn to follow up legislation by demanding honest and efficient administration.

The four publicly owned and supervised markets established in

New York City during this current year have apparently shown that municipal markets may be intelligently operated under public authority in this country. These markets were established on waste lands belonging to the city at almost no expense to the taxpayers. One is located on the west side of Manhattan Island at 129th Street, the terminus of the Fort Lee Ferry, the others are located on the east side under the approaches of the bridges at 130th Street, 59th Street, and the Williamsburg Bridge. They are thus easily accessible to farmers and to consumers. Probably these free public markets do not actually supply more than one twentieth of the foodstuffs consumed on Manhattan Island alone. They have, however, reduced the cost of foodstuffs over the greater part of the area of Manhattan Island and to some extent in adjoining boroughs. The prices at the producers' stalls in these markets are said to range from 10 to 50 per cent lower than the prices in the non-competing grocery stores. Retail grocers quite naturally have opposed the free public markets. A good many retailers in the vicinity of the markets have been obliged to shut up shop. Quite a number of the more enterprising have been allotted stalls in the free public markets by the Committee of Markets. These markets are well patronized and well supervised, under the present administration. Whether the system of supervision will continue satisfactory depends on many things, the most important of which is perhaps the intelligence and interest of the Committee of Markets. The producers' stalls are occupied by bona fide producers, who have been visited by the authorities. Every stall holder knows he is under supervision. If he is found guilty of giving short measure or short change, or practising deception as to the quality of his goods, he may be summarily ejected from the market.

Somewhat despotic powers are thus exercised by the Committee of Markets, and it is easy to imagine conditions under which these powers might be abused. These retail markets must be carefully and intelligently supervised if they are to be made of any real use in reducing the stupendous waste which comes in between producer and consumer. The importance of proper supervision by the public authorities is equally great whether the markets are owned by the public or by private individuals or corporations. I am inclined to favor public ownership rather than private ownership of public markets, although the experience with public ownership of markets has thus far been quite unsatisfactory. The

unsatisfactoriness is due to the lack of intelligent interest in markets and food prices on the part of the public.

The problem of supplying Manhattan with food is relatively simple because the Island is so narrow and surrounded by deep water, making it possible to supply every part of the borough by boat. In cities that do not possess waterways and water transportation facilities the street railway lines should be used to distribute commodities throughout the city.

I very much doubt if the Parcel Post can exert any appreciable influence upon prices, unless the service is freed from many hampering restrictions that now encumber it. With the most favorable legislation, the usefulness of the Parcel Post in reducing the cost of living is strictly limited. Unless we are willing to enlarge the size of the parcels to carload and trainload dimensions, the Parcel Post will labor under the enormous handicap of trying to supply tremendous wholesale demands for thousands of tons of provisions by means of trifling little five pound retail packages. It is inconceivable that any system of transportation can stand up under the strain of handling any considerable traffic in detail in this manner. Besides this insuperable difficulty, consumers can never be induced to purchase to any great extent by the pig-in-a-bag method offered through the Parcel Post. A good many people of Washington have purchased directly from farmers just once. After one experience they declare that if they are to pay store prices for bad, broken eggs, inferior apples, ancient poultry, and diminutive potatoes, they prefer to pay them to the stores. There is a chance that a storekeeper will make good an inferior lot of goods purchased from him or refund the purchase price; there is no chance for recovery from the honest but elusive farmer. As soon as the farmer has established a reputation for excellent goods, his entire product will be demanded by wholesalers or retailers, so that he can no longer afford to sell in trifling lots to consumers direct.

No single, simple remedy will be sufficient to reduce appreciably the wastes of distributing commodities to consumers. The business of marketing is so complex and difficult that it will demand the earnest and constant efforts of intelligent men, if unnecessary wastes are to be eliminated.